

ASSEMBLY BILL

No. 2230

Introduced by Assembly Member Cooley

February 20, 2014

An act to amend Section 1063.74 Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2230, as introduced, Cooley. Insurance: Workers' Comp Bond Fund: assessments.

Existing law creates the California Insurance Guarantee Association (CIGA) and requires all insurers admitted to transact insurance in this state to become members. CIGA is required to collect premium payments from members to discharge its obligations to cover claims of an insolvent insurer. CIGA is required to allocate its claim payments and costs based on categories of insurance, including, but not limited to, workers' compensation claims and homeowners' claims. The premium payments from each category are separate and required to be used to pay the claims and costs allocated to that category.

Existing law authorizes CIGA to request the issuance of bonds by the California Infrastructure and Economic Development Bank to pay for covered claims that arise as a result of the insolvency of workers' compensation insurers. Proceeds from the sale of the bonds are deposited in the Workers' Comp Bond Fund, and CIGA distributes this money to pay covered claims. Principal and interest on the bonds are paid from special bond assessments levied by CIGA on workers' compensation insurers, as provided.

This bill would prohibit, once all the bonds issued pursuant to these provisions are redeemed, further special bond assessments from being

levied or made. The bill would require that any premium adjustments applicable to the special bond assessments continue to be made and determined, and that any credits or charges that result from the premium adjustments be credited or charged to the workers' compensation assessments that the insurers are otherwise required to pay CIGA.

Vote: majority. Appropriation: no. Fiscal committee: no.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1063.74 of the Insurance Code is
2 amended to read:

3 1063.74. (a) Notwithstanding any other limits on assessments,
4 CIGA shall have the authority to levy upon member insurers special
5 bond assessments in the amount necessary to pay the principal of
6 and interest on the bonds, and to meet other requirements
7 established by agreements relating to the bonds. The assessments
8 shall be collected only from the member insurers providing
9 workers' compensation insurance, in the same manner as separate
10 premium payments are used to pay the claims and costs allocated
11 to that category pursuant to Section 1063.5. Special bond
12 assessments made pursuant to this section shall also be subject to
13 the surcharge provisions in Sections 1063.14 and 1063.145.

14 *(b) Notwithstanding any other law, after all bonds issued*
15 *pursuant to this article have been redeemed, no further special*
16 *bond assessments shall be levied or made. Any premium*
17 *adjustments called for and described in Section 1063.5, as applied*
18 *to special bond assessments initially charged, shall continue to be*
19 *made and determined. Any credits or charges that result from the*
20 *premium adjustments on the special bond assessments shall be*
21 *credited or charged to the assessments called for and described*
22 *in Section 1063.5.*

23 ~~(b)~~

24 (c) In addition to the special bond assessments provided for in
25 this section, the board in its discretion and subject to other
26 obligations of the association, may utilize current funds of CIGA,
27 premium assessments made under Section 1063.5, and advances
28 or dividends received from the liquidators of insolvent insurers to
29 pay the principal and interest on any bonds issued at the board's
30 request and shall utilize, to the extent feasible, the recoveries from

- 1 the liquidators of the estates of insolvent workers' compensation
- 2 carriers to pay bonds issued at the board's request to fund workers'
- 3 compensation claims.

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